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## Budget Initiatives Mineral Revenue Collection

Like any successful business, the Minerals Management Service (MMS) makes the necessary operating adjustments to keep pace with changing economies and technologies to better serve the American people.

The Minerals Revenue Management (MRM) a division of MMS is responsible for the management of revenues from mineral leases on Federal lands and Native American lands. Specific duties include to:

- Collect and account for mineral revenue payment.
- Assure compliance with revenue terms of mineral leases.
- Market oil and gas royalties collected in kind.

During Fiscal Year (FY) 2004, MRM collected and disbursed \$9.3 billion in mineral rents, bonuses, and royalties from more than 62,000 Federal and American Indian leases as part of its mission to enhance public and trust benefit, promote responsible use, and realize optimal value. This mission requires the management of extensive records and data. For instance, during FY 2004, MRM received reports and payments from 4,400 payors, processed 2.7 million royalty reports, and 3.8 million production reports.

### *Records Management Improvement Project (\$1,200,000)*

The agency is seeking funds to begin planning and introducing state-of-the-art technology for an electronic recordkeeping system to optimize the benefit of these royalties for the public good. This request will be in-line with the Department of the Interior's goal of implementing electronic records management by 2008. As this project will provide significant benefits in the area of the Tribal

Cooperative Audit Program, it will be closely coordinated with the Office of the Special Trustee for the American Indians and Trust Architecture activities.


### *Royalty-in-Kind (RIK) Business Plan Implementation*

Revenues collected by MMS are one of the largest sources of non-tax revenue to the Federal Government. Furthermore, MMS's RIK Program is designed to maximize these revenues, which come back to the American people, including states, tribes, and individual Indian mineral owners through a variety of programs.

If there is an economic advantage to the Government because of increased revenues, greater administrative efficiency, or security needs of the Nation, MMS will collect royalties in kind. This may include selling the product in the marketplace and disbursing resulting revenues as prescribed by law, or transferring resources to fill the Nation's Strategic Petroleum Reserve.

During Fiscal Year 2005, MMS began implementing the Five-Year RIK Business Plan for FY 2005-2009, outlining business principles, objectives, and specific action items that will guide the Federal RIK program operational activities. This plan is designed to actively manage federal oil and gas assets to best secure economic value for the American people. Additionally, this plan will enable MMS to manage the significant portfolio of oil and gas royalties taken in-kind.

MMS's experience thus far has shown that taking royalties in kind can provide some benefits to the taxpayer through increased net revenue and reduced administrative expenses. The agency also realizes that RIK may not be appropriate in all cases.



Therefore, a major MMS focus is to make the best choices for taking royalties in kind that maximize benefits to the American people.

The MMS is targeting a net increase of \$50 million during the five-year period based on oil and gas volume projections.

The RIK Five-Year Business Plan is broken down into two stages:

1. The first two years will focus on developing risk policy guidelines, enhancing organization and resource skills, and finalizing performance measures.
2. The last three years will involve expanding its current business model to a more diversified marketing strategy. MMS concluded that diversified marketing and sales strategies will likely result in net positive returns to the government.